

Liquid propane purchased for use in exempt farm machinery and equipment is not itself exempt from the Retailers' Occupation Tax Act or the Use Tax Act under the farm machinery and equipment exemption. See 86 Ill. Adm. Code 130.305. (This is a GIL.)

July 18, 2005

Dear Xxxxx:

This letter is in response to your letter dated September 1, 2004, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.ILTAX.com](http://www.ILTAX.com) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We would appreciate a ruling on the following:

- Would the sale of liquid propane to an agricultural producer (farmer) for drying of grain be exempt from Retailers' Occupation Tax?
- Would the sale of liquid propane to an agricultural producer (farmer) for heating of buildings in which hogs or cattle are being kept be exempt from Retailers' Occupation Tax?

#### **DEPARTMENT'S RESPONSE:**

We apologize for the delay in responding to your inquiry. Liquid propane used by an agricultural producer for drying grain is not exempt from the Retailer's Occupation Tax or the Use Tax. While the grain dryer itself may be exempt under the farm machinery and equipment exemption, the liquid propane used in the grain dryer is not. Please see the last sentence of 86 Ill. Admin. Code 130.305(I), enclosed.

Liquid propane used by an agricultural producer for heating buildings in which hogs or cattle are being kept is not exempt from the Retailer's Occupation Tax or the Use Tax. While specialty heating equipment may be exempt under the farm machinery and equipment exemption, the liquid propane used in this equipment is not. Please see the last sentence of 86 Ill. Admin. Code 130.305(l), enclosed.

I hope this information is helpful. If you require additional information, please visit our website at [www.ILTAX.com](http://www.ILTAX.com) or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Sincerely,

Samuel J. Moore  
Associate Counsel

SJM:msk  
Enc.